

DEADLINE APPROACHES FOR ACCELERATED FILERS TO COMPLY WITH XBRL MANDATE

Large accelerated filers who file on a calendar-year basis are required to utilize eXtensible Business Reporting Language—XBRL—to file their financial reports and statements effective with the quarter ended June 30, 2010. Companies must use XBRL—a specially designed, XML-based computer language—within the following documents:

- Annual and quarterly reports filed on Forms 10-K or 10-Q
- Transition reports
- Securities Act registration statements (such as an S-1)
- Reports on Form 8-K and Form 6-K that contain revised or updated financial statements

The largest of the large accelerated filers—companies with a market capitalization in excess of \$5 billion—have been using XBRL for their reports beginning with fiscal periods ending on or after June 15, 2009. All other filers (except accelerated filers as noted above) including smaller reporting companies, and foreign private issuers using International Financial Reporting Standards (IFRS), will be required to use XBRL as of June 30, 2011.

Comparability of Data and Automation Are Important XBRL Goals

On January 30, 2009, the Securities Exchange Commission (SEC) issued a mandate requiring companies to submit their financial statements to the SEC, as well as post documents to their websites, using an XBRL format. The goal of the SEC in mandating the use of XBRL is

to “provide investors with quicker access to the data they want in a format that is easily used, searched, and analyzed.”

Similarly, the American Institute of Certified Public Accountants (AICPA) cites some of the benefits as cost savings, greater efficiency, and improved reliability, as well as “the accuracy, clarity, and usability of the information to be audited.” The overarching intent of using XBRL is a common understanding of a company’s financial data among all relevant parties, including investors, analysts, regulatory entities, banks, and other lenders.

Future plans include the expansion of XBRL to include tax reporting and the filing of loan reports and applications.

In addition to the SEC, the XBRL effort is being led by the AICPA and advocacy group XBRL, a national consortium of firms, including users and other interested parties. The idea first came to fruition in 1998 when Charlie Hoffman, CPA, conceived of the idea of a universal language for business reporting.

How XBRL Works

XBRL has been designed specifically for use as a business reporting standard and works in much the same way as a bar code. XBRL consists of electronically readable tags that correspond to standard definitions. These standard definitions, or taxonomies as they are being called, correlate closely to specific elements of U.S. Generally Accepted Accounting Principles (GAAP).



If an already-established taxonomy does not meet a company’s data reporting needs, the company may change it slightly to properly reflect its information, hence the flexibility or “extensibility” of the system. This feature is perceived by the AICPA and other regulatory bodies as an important benefit.

Another key characteristic of XBRL is the use of instance documents, which are XML files companies will use to transmit their data in a uniform manner that can be read by all parties.

XBRL requirements will be phased in gradually. During the first year of compliance, companies are only required to tag primary line items in addition to block tagging footnotes and schedules. The following year, detailed tags for financial data in footnotes and schedules must be added.

There are several software packages available that companies can use to help them fulfill their XBRL reporting requirements. The SEC's XBRL website (<http://xbrl.sec.gov>) features a list of vendors.

A Few Early Snags

The first wave of companies that have already had to comply with XBRL—approximately 500 large companies—have made a few minor errors.

XBRL recently released a white paper, "Avoiding Common Errors in XBRL Creation" (available online at www.journalofadvocacy.com). Two early mistakes include mis-tagging numerical data as positive instead of negative, and vice versa, as well as omitting some facts required by the taxonomy, among others. Another helpful document containing valuable XBRL observations and best practices has been made public by the SEC on its website in the wake of its recent public education seminar.

As with any new protocol, there will be questions and perhaps a few issues to resolve before XBRL becomes second nature. The SEC, AICPA, and XBRL all have numerous resources on their

websites to assist companies and preparers in understanding the philosophy behind the new standard as well as practical logistics and considerations. ■

Kenneth Nielsen Goldmann, CPA, is a J.H. Cohn partner and director, Capital Markets and SEC Practice. He may be reached at kgoldmann@jhcohn.com or 1-877-704-3500.

For more information on J.H. Cohn's Accounting and Audit Practice, [click here](#).

California

Los Angeles

11755 Wilshire Boulevard
17th Floor
Los Angeles, CA 90025
310-477-3722

San Diego

4180 Ruffin Road
Suite 235
San Diego, CA 92123
858-535-2000

Warner Center

21700 Oxnard Street
7th Floor
Woodland Hills, CA 91367
818-205-2600

Cayman Islands

P.O. Box 1748 GT
27 Hospital Road
George Town, Grand Cayman
877-704-3500 x7839

Connecticut

Glastonbury

180 Glastonbury Blvd.
Glastonbury, CT 06033
860-633-3000

New Jersey

Roseland

4 Becker Farm Road
Roseland, NJ 07068
973-228-3500

Eatontown

27 Christopher Way
Eatontown, NJ 07724
732-578-0700

Lawrenceville

997 Lenox Drive
Lawrenceville, NJ 08648
609-896-1221

Metro Park

333 Thornall Street
Edison, NJ 08837
732-549-0700

New York

Manhattan

1212 Avenue of the Americas
Suite 1200
New York, NY 10036
212-297-0400

Charles Brucia & Co.,
A Division of J.H. Cohn LLP
1212 Avenue of the Americas
New York, NY 10036
212-682-2459

Frederic Kantor & Company,
A Division of J.H. Cohn LLP
1212 Avenue of the Americas
New York, NY 10036
212-727-2300

Long Island

100 Jericho Quadrangle
Suite 223
Jericho, NY 11753
516-482-4200

White Plains

1311 Mamaroneck Avenue
White Plains, NY 10605
914-684-2700



877-704-3500
www.jhcohn.com

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